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SUBJECT: Putin Telethon Showcases Economic Gains, Highlights
Continuing Challenges

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Summary

1. (SBU) In what should be his last marathon television call-in spectacular as President, Putin showed his phenomenal depth of detail on a host of issues, ranging from the need for a bridge in Vladivostok to advice on how best to manage U.S. disengagement from Iraq. Part political theater, part campaign event, the "Telebridge" national conversation with the President followed the same formula as in past years, allowing the everyday "Ivan Ivanovich" to voice concerns directly to Putin in what appeared a carefully managed and choreographed event. Three themes emerged as the central message of this year's event:

- * Pride in the economic accomplishments and a commitment to see policies continued for economic development;
- * An acknowledgement of ongoing challenges and a tendency to finger point at regional elites for blocking policy implementation; and
- * More chest-thumping on international issues, with particular invective for the U.S. END SUMMARY.

The Stage

2. (SBU) This year's production lasted three hours and five minutes -- a new record for Putin. In all, he answered 68 questions, the majority of which were modern day equivalents to the centuries-old tradition of Russian "appeals to the good Tsar" about quality of life issues. Correspondents moderated questions from small groups gathered in towns across Russia, including Vladivostok, Kazan, and the newly selected "Olympic City" Sochi. Moreover, the organizers of the event fielded questions from a telephone bank, the internet, and text messaging. In this regard, the event had undertones of a "Jerry Lewis Telethon," with graphs showing how many thousands of questions had been passed to a squad of cheerful operators in Moscow. This year's event also included a short segment with Russian speakers from Aktau, Kazakhstan, the first "foreign" connection for this type of political theater.

3. (SBU) In each of the televised "stops" on the virtual tour, those before the camera tended to represent the interest groups most closely associated with United Russia (as reported in the weekly news journal, Itogi) -- educated women in their late 40s and young, ambitious "20-somethings" -- but also included pensioners, soldiers, and peasants. During a segment from the Plesetsk cosmodrome, Putin was able to watch a film clip of the launch earlier today of a Topol ballistic missile. All of this was stage-managed beautifully; within five hours a full transcript was ready on the Kremlin website.

Pride in Economic Growth

4. (SBU) President Putin began the call-in session by praising Russia's economic growth. GDP has grown 7.7 percent in the first

half of 2007, which is above the forecasted 6.2 percent for the year. Compared to recent years when growth was based on high energy prices, two-thirds of GDP growth this year has come from construction, telecommunications, transportation and retail. Putin noted that Russia's gold and currency reserves have increased to a record high of USD 424 billion. Fixed capital investment rose 25 percent and Russia holds USD 16 billion in foreign direct investment. The GOR's Stabilization Fund holds USD 140 billion. Putin declared that there would be no banking crisis, but did not provide details.

15. (SBU) The impressive growth has lowered unemployment, increased contributions to the federal budget and enabled the government to raise wages and pensions. Putin touted real growth for wages at 14.4 percent and pensions by 21 percent this year, compared to 13.4 percent and 5.1 percent in 2006, respectively. He noted the birth rate has reached its highest point in fifteen years and mortality is the lowest it has been since 1999. Unemployment has fallen from over 6 percent last year to 5.7 percent and more than 600,000 jobs have been created. He urged support for small and medium business development, which would enable middle class growth and secure income equality across Russia. Corruption was much less discussed than in previous call-ins.

16. (SBU) Putin admitted that Russia has been unsuccessful in controlling rising inflation: the 12-month rolling inflation rate now stands at 8.5 percent -- higher than the planned 8 percent. He stressed that inflation was inevitable, as Russia "is becoming part of the world economy, and what happens on world markets affects us." He blamed rising prices on food subsidy cuts in the European Union and the growing demand for biofuels. He also stressed that the difference between wholesale and resale prices can be explained by the fact that a few middle men hold monopoly positions in their regions and abuse personal ties with local authorities. Putin was optimistic that prices would stabilize by the end of the year and stressed that solving the problem was the responsibility of the GOR, which has already made the decision to carry out grain and dairy

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interventions.

Haranguing Regional Elites

17. (SBU) The "telebridge" began in Vladivostok, providing a stage for Putin to draw attention to the problems of regional development in the Far East and Eastern Siberia -- an area that he again heralded as of strategic importance for Russia. In discussing a young student's quandary about where to go after college -- Moscow, St. Petersburg, or overseas -- Putin expressed his concern about the depopulation of the region. He highlighted the government's plan for regional economic development, as well as the program of "Ethnic Russian Resettlement" in 12 pilot regions, which was in great part designed to address this problem. He singled out the National Priority Projects as designed to improve socio-economic conditions in smaller towns and create stable environments for residents to live and work. Unfortunately, the President complained, those plans and programs have not met their objectives, as "leaders in the east of the country have no enthusiasm for these programs."

18. (SBU) Throughout the rest of the program, Putin returned to the theme of regional responsibility and implied that local elites and government bureaucrats often impeded sensible plans to improve the quality of life. When asked why he agreed to head the United Russia list for the December Duma election, he stated that his decision had been shaped by concerns that the legislature remain "effective" after the elections. He harkened back to the 1990s and what he saw as the fecklessness of the Duma in implementing necessary policies. What Russia needs to do in a time of transition, according to Putin, is to follow a stable course and implement policies set by his administration.

Criticism of U.S. in Foreign Policy Answers

19. (SBU) In response to a question from an hypothetically "ordinary Joe" mechanic in Novosibirsk about a comment, attributed to Madeline Albright, that "Siberia's wealth was unfairly bestowed on Russia

alone," Putin said such "political erotica" were common in the heads of "certain" politicians. He then made the implicit linkage to the U.S. war in Iraq as a campaign against a "small country, hardly able to defend itself, with enormous oil reserves." Russia is not Iraq, underscored Putin, and is able to defend itself -- and to that end continues to strengthen the army and navy. (Comment: On other occasions, including in the aftermath of Beslan, Putin has intimated that the U.S. has interests in dismantling the Russian Federation. End Comment) Putin later in the program criticized U.S. policy on Iraq, positing that Washington's unwillingness to set a date for withdrawal of forces is a disincentive for Iraqis to establish their own government.

¶10. (SBU) The president's answer to a question about missile defense, asked by a citizen of Kaliningrad, followed familiar patterns. He aired his doubts about the danger of Iranian missiles and called for the U.S., the Europeans, and Russia to determine the true nature of threat. He again threatened reciprocal steps if the U.S. and its European allies made a unilateral decision to deploy.

¶11. (SBU) Putin also promised to protect Russia's interests on the economic stage. Responding to a question about Russia's accession to the WTO, Putin said that Russia would join the organization only on terms acceptable to the country and its producers, agriculture included. The GOR has agreed with WTO members that there will be a transitional period during which Russia's agriculture sector will continue to be subsidized.

Comment

¶12. (SBU) Putin's general tone remained one of a man who plans to see his work and vision continue into the future. Ignoring his "lame duck" status, he made promises that programs would be seen through to completion and personally guaranteed that certain projects would be implemented -- even after his term in office ends in May 2008. Moscow's political elite will spend much time and effort searching for hidden meanings in the President's answers, seeing this television marathon as a three-hour campaign stump speech.